

1 Christopher C. McNatt, Jr., Esq. (SBN 174559)
2 **SANDLER, TRAVIS & ROSENBERG**
3 **AND GLAD & FERGUSON, P.C.**
4 801 South Flower Street, Fifth Floor
Los Angeles, California 90017
Telephone: (213) 327-0155
Facsimile: (213) 327-0157

5 Attorneys for Defendant and Counterclaimant
6 Sakar International, Inc.

7
8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
10

11 HORNG TECHNICAL ENTERPRISE CO.,)
12 LTD.,)

13 Plaintiff,

14 vs.

15 SAKAR INTERNATIONAL, INC., and
16 DOES 1 through 100, inclusive

17 Defendants.
18

Case No. CV05-7287 GPS
(CWx)

**ANSWER AND
COUNTERCLAIM**

19 **ANSWER**

20 The Defendant, Sakar International, Inc. (hereinafter "the Defendant"), by way
21 of its attorneys, alleges and states as follows:

22 **Preliminary Allegations**

- 23 1. Defendant admits to the allegations in paragraphs 1 through 4.
24 2. Defendant denies the allegations in paragraphs 5 through 7.

25 **Response to First Cause of Action**

26 3. In response to paragraph 8, Defendant hereby incorporates by reference its
27 responses to paragraphs 1 through 7.

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ANSWER AND COUNTERCLAIM
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CLERK U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIF.
LOS ANGELES

1 4. Defendant is without knowledge or information sufficient to form a belief as to
2 the truth of the allegations of paragraphs 9 and 10 and therefore denies them.

3 5. Defendant denies the allegations in paragraphs 11 through 13.

4 **Response to Second Cause of Action**

5 6. In response to paragraph 14, Defendant hereby incorporates by reference its
6 responses to paragraphs 1 through 7.

7 7. Defendant denies the allegations in paragraphs 15 and 16.

8 **Response to Third Cause of Action**

9 8. In response to paragraph 17, Defendant hereby incorporates by reference its
10 responses to paragraphs 1 through 7.

11 9. Defendant denies the allegations in paragraphs 18 and 19.

12 **Response to Fourth Cause of Action**

13 10. In response to paragraphs 20, Defendant hereby incorporates by reference its
14 responses to paragraphs 1 through 7.

15 11. Defendant denies the allegations in paragraphs 21 and 22.

16 **Response to Fifth Cause of Action**

17 12. In response to paragraph 23 Defendant hereby incorporates by reference
18 its responses to paragraphs 1 through 7.

19 13. Defendant is without knowledge or information sufficient to form a belief
20 as to the truth of the allegations of paragraphs 24 through 26.

21 14. Defendant denies the allegations in paragraph 27.

22 **AFFIRMATIVE DEFENSES**

23 **First Affirmative Defense**

24 1. Defendant Sakar asserts that the optical computer mice it purchased from the
25 Plaintiff Horng were alleged by a third-party, Great Lakes Intellectual Property Limited
26 ("GLIP") to infringe their patents. Subsequently, GLIP sued Defendant Sakar in the
27 United States District Court for the Western District of Michigan for patent
28 infringement.

1 a) Therefore, as a set-off to any damages recovered by Horng and also pursuant
2 to Rule 13 of the Federal Rules of Civil Procedure Sakar International, Inc., through
3 counsel, hereby asserts a claim for indemnification and full defense against Horng
4 Technical Enterprise Co., (hereinafter "Horng" or "the vendor") as follows:

5 b) Sakar has purchased optical mice from Horng and sold them in the United
6 States, and Horng has signed an indemnification agreement.

7 c) GLIP has sued Sakar and charged Sakar with patent infringement in connection
8 with Sakar's importation and sale of the optical mice which Sakar purchased from the
9 vendor Horng.

10 d) Defendant Sakar was a purchaser of the allegedly infringing product from its
11 vendor, namely, Horng, and Sakar was unwittingly supplied with the allegedly-
12 infringing optical mice products by its vendor Horng, which GLIP now asserts are
13 protected by various patents.

14 e) Horng's actions constitute a violation of the Uniform Commercial Code,
15 Article 2, §312, ("U.C.C.") which prohibits supplying an infringing product to a buyer
16 and warrants any such product to be free from any claim of patent infringement. Horng
17 has also constitutes a breached the indemnification agreement.

18 f) The Defendant Sakar had no knowledge that such optical mice products at
19 issue may infringe any patent. Further, there was no patent marking present on the
20 products purchased from Horng, thus eliminating any constructive notice of
21 infringement to Sakar.

22 g) If there is any liability for patent infringement, Horng is fully liable to GLIP
23 and Sakar is not liable.

24 h) As a result of the seller-buyer relationship between Sakar and its vendor
25 Horng, and pursuant to §2-312 of the U.C.C., and pursuant to the indemnification
26 agreement, Horng is solely liable for any judgment or award against Sakar for patent
27 infringement of GLIP's patents, which would entitle Sakar to full indemnification and
28 defense (including attorneys fees and costs) from Horng for any liability Sakar may

1 incur to GLIP.

2 **Second Affirmative Defense**

3 2. Defendant Sakar asserts that certain optical computer mice and related
4 computer accessories it purchased from Plaintiff Horng were defective.

5 a) Certain of the computer accessory products purchased from Horng by Sakar
6 were defective and were returned by Sakar's customers.

7 b) A container of defective products has already been returned to Horng, and
8 Sakar has notified Horng about the defective products.

9 c) This constitutes a violation of U.C.C. Article 2 §601 et seq.

10 d) Separate and apart from liability for patent infringement, the sale of defective
11 products to Sakar renders Horng liable to Sakar for such defective products.

12 e) Sakar has been damaged by such defective products in an amount not yet fully
13 determined, but in excess of \$200,000.

14 **Third Affirmative Defense**

15 3. The optical computer mice Defendant Sakar purchased from Plaintiff
16 Horng were not specially manufactured by Horng for Sakar. In addition, the optical
17 computer mice Sakar purchased from Horng are suitable for sale to other retailers in
18 the ordinary course of Horng's business. Accordingly, under the UCC, Horng's sale
19 of the optical computer mice in question to Sakar came with the express warranties
20 made by Horng under UCC §2-313 and with the UCC §2-314 Implied Warranty of
21 Merchantability and the UCC §2-315 Implied Warranty of Fitness for a Particular
22 Purpose.

23 a) Horng breached both the Implied Warranty of Merchantability and
24 Implied Warranty of Fitness for a Particular purpose pursuant to UCC §§2-314 and
25 2-315 when Horng sold defective optical computer mice to Sakar, as well as other
26 computer accessories.

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ANSWER AND COUNTERCLAIM

5. While venue is appropriate pursuant to 28 U.S.C. §1391(b) and §1400 in this district since certain of the allegedly infringing product were sold by Horng into the stream of commerce in the United States and then shipped into the Central District of California, venue is also appropriate and primary in the Western District of Michigan because GLIP resides in that district, and since the allegedly infringing product were sold by Horng into the stream of commerce in the United States and then shipped into the District of Michigan.

Count 1

Claim For Indemnification For Patent Infringement

6. Pursuant to Rule 13 of the Federal Rules of Civil Procedure, Counterclaimant, Sakar International, Inc., through counsel, hereby asserts a counterclaim for indemnification and full defense against Counter-defendant Horng Technical Enterprise Co., (hereinafter “Horng” or “the vendor”) as follows:

7. Sakar has purchased optical mice from Horng and sold them in the United States, and Horng has signed an indemnification agreement.

8. GLIP has sued Sakar and charged Sakar with patent infringement in connection with Sakar's importation and sale of the optical mice which Sakar purchased from the vendor Horng.

9. Sakar was a purchaser of the allegedly infringing product from its vendor, namely, Horng, and Sakar was unwittingly supplied with the allegedly-infringing optical mice products by its vendor Horng, which GLIP now asserts are protected by various patents.

10. Horng's actions constitute a violation of the Uniform Commercial Code, Article 2, §312, ("U.C.C.") which prohibits supplying an infringing product to a buyer and **warrants** any such product to be free from any claim of patent infringement. Horng has also breached of the indemnification agreement.

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1 11. Sakar had no knowledge that such optical mice products at issue may infringe
2 any patent. Further, there was no patent marking present on the products purchased from
3 Horng, thus eliminating any constructive notice of infringement to Sakar.

4 12. If there is any liability for patent infringement, Horng is fully liable to the
5 GLIP and Sakar is not liable.

6 13. As a result of the seller-buyer relationship between Sakar and its vendor
7 Horng, and pursuant to §2-312 of the U.C.C., and pursuant to the indemnification
8 agreement, Horng is solely liable for any judgment or award against Sakar for patent
9 infringement of GLIP's patents, which would entitle Sakar to full indemnification and
10 defense (including attorneys fees and costs) from Horng for any liability Sakar may
11 incur to GLIP.

12 **Count 2**

13 **Claim For Defective Products**

14 14. Certain of the computer accessory products purchased from Horng by Sakar
15 were defective and were returned by Sakar's customers.

16 15. A container of defective products has already been returned to Horng, and
17 Sakar has notified Horng about the defective products.

18 16. This constitutes a violation of U.C.C. Article 2 §601 et seq.

19 17. Separate and apart from liability for patent infringement, the sale of defective
20 products to Sakar renders Horng liable to Sakar for such defective products.

21 18. Sakar has been damaged by such defective products in an amount not yet fully
22 determined, but in excess of \$200,000.

23 **Count 3**

24 **Breach of Implied Warranties**

25 19. The optical computer mice Sakar purchased from Horng were not
26 specially manufactured by Horng for Sakar. In addition, the optical computer mice
27 Sakar purchased from Horng are suitable for sale to other retailers in the ordinary
28 course of Horng's business. Accordingly, under the UCC, Horng's sale of the

1 optical computer mice in question to Sakar came with whatever express warranties
2 made by Horng under UCC §2-313 and with the UCC §2-314 Implied Warranty of
3 Merchantability and the UCC §2-315 Implied Warranty of Fitness for a Particular
4 Purpose.

5 20. Plaintiff Horng breached both the Implied Warranty of Merchantability and
6 Implied Warranty of Fitness for a Particular purpose pursuant to UCC §§2-314 and 2-
7 315 when Horng sold defective computer mice to Sakar, as well as other computer
8 accessories.

9 21. The sales contract for the sale of the optical computer mice entered into by
10 Horng and Sakar did not specifically exclude the Implied Warranty of Merchantability
11 or the Implied Warranty of Fitness for a Particular Purpose, or all implied warranties for
12 that matter.

13 22. In addition, there was no Contractual Modification of the sales contract that
14 permitted Horng (the seller) to limit Sakar's (the buyer) remedies to return of the goods
15 and repayment of the price or to repair and replacement of the non-conforming optical
16 computer mice.

17 23. Accordingly, Horng, the seller of the optical computer mice in question, is
18 liable to Sakar, the buyer, for Sakar's Incidental and Consequential Damages.

19 **WHEREFORE**, Sakar requests that Horng take nothing on its
20 compliant.

21 On Sakar's counterclaim, Sakar requests a judgment finding no liability
22 for patent infringement on the part of Sakar; and finding that the products sold
23 by Horng to Sakar were defective; said judgment including **indemnification**
24 for the sale of both infringing and defective products by Horng to Sakar, and
25 that Horng pay any judgment eventually obtained by GLIP for any and all
26 liability for patent infringement that may eventually be established by GLIP
27 against Sakar, together with Sakar's costs, attorneys fees, interest and such
28 other relief as the Court deems just and equitable, and that Horng pay Sakar

1 for defective products sold to it.

2 **JURY DEMAND**

3 Sakar hereby demands a jury trial on all issues raised in the complaint its
4 above stated counterclaim.

5
6 Dated: October 11, 2005

**SANDLER, TRAVIS & ROSENBERG
AND GLAD & FERGUSON, P.C.**

7
8
9 By 

**CHRISTOPHER C. McNATT, JR.
Attorneys for Defendant and Counterclaimant
SAKAR INTERNATIONAL, INC.**

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11
12 **OF COUNSEL**

13 Ezra Sutton, Esq.
14 **EZRA SUTTON, P.A.**
15 Plaza 9, 900 Route 9
Woodbridge, New Jersey 07095
16 Telephone: (732) 634-3520
Facsimile: (732) 634-3511

PROOF OF SERVICE BY MAIL

I, Tracie Windom, declare under penalty of perjury that the following facts are true and correct:

I am a citizen of the United States, over the age of 18 years, and not a party to this action, and my business address is 801 South Flower Street, Fifth Floor, Los Angeles, CA 90017.

On October 12, 2005, I served the following document(s):

ANSWER AND COUNTERCLAIM

The document(s) were placed in an envelope and served via regular U.S. mail to the person(s) and at the address(es) which follow:

Bruce W. Wagner, Esq.
ATTORNEY AT LAW
1440 N. Harbor Blvd.
Suite 800
Fullerton, California 92835

Attorney for Plaintiff
Hornig Technical Enterprise Co., Ltd.

I am readily familiar with the business practice of Sandler, Travis & Rosenberg and Glad & Ferguson, P.C. for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, the correspondence would be placed in a sealed envelope, with postage fully prepaid, and deposited with the United States Postal Service that same day in the ordinary course of business.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct and that this proof of service was executed on October 12, 2005 at Los Angeles, California.


TRACIE WINDOM